# Chapter 6 – Real Property Issues

## Introduction

Real property issues cover the following areas:

1. Asset Grouping Policies
   A. Asset Lumping and Splitting Guidance
   B. Real Property versus Personal Property Guidance
2. Force Account Work Tracking
3. Disposals and Retirement
4. Capital Leases
5. Leasehold Improvements
6. Newly Discovered Assets

# A. Asset Grouping Policies

**Introduction**
Asset grouping policies

Asset grouping in general refers to the aggregation or disaggregation of real property asset components to comply with Federal accounting requirements and/or to meet Service management needs. It addresses accounting standards relating to the inclusion or exclusion of individual asset items in the determination of the recorded cost of real property assets. It also includes policies for combining assets into a single asset number (lumping) and separating assets into smaller components (splitting) for tracking in the Real Property Inventory (RPI).

☞ The purpose of asset grouping policy is to maintain consistency in reporting real property assets servicewide, and to comply with Federal accounting requirements. This policy addresses when it is appropriate to lump assets into one asset number and when this practice is not acceptable.

Asset grouping policies covers *Asset Lumping and Splitting Guidance* and *Real Property versus Personal Property Guidance*.

## 1. Asset Lumping and Splitting Guidance

**POLICY**
Accounting requirements for lumping asset components to determine the recorded cost

If an asset, as originally constructed, is an aggregate of components that function only as a nonseverable part of the whole structure, the asset in total is treated as a single item and subjected to capitalization criteria. However, if an asset consists of individual components, each of which has its own asset code and could stand alone as a functional asset, the individual components should be considered separately.

**GUIDANCE**
Asset lumping

According to the Service policy, an asset must have a replacement cost value of at least $5,000 to have a unique asset number in the RPI. The intent of the RPI is to capture all real property assets. However, tracking small items is not an effective use of the RPI and Service resources. Therefore, a policy was established to combine two or more small assets within a single asset number. All lumped assets should be listed in the property description.

**GUIDANCE and EXAMPLE**
When asset lumping is appropriate

The following table provides guidance and examples of asset lumping for new assets or newly discovered assets. In general, existing asset records should remain in tact.

| | |
|---|---|
| **What you need to do** | If an asset does not have a replacement cost value of at least $5,000 but is connected to (or is otherwise identified with) an asset greater than $5,000, then this asset must generally be lumped with the asset greater than $5,000. |
| **Example 1** | A storage shed ($2,500) located near a house ($90,000) has a different asset code than the house; however, since the shed does not have a replacement cost value of at least $5,000 it should be lumped in with the asset number for the house it is identified with. |
| **What you need to do** | If an asset does not have a replacement cost value of at least $5,000 but can be lumped with assets of the same asset type, then the asset must be combined lumped into one asset number. |
| **Example 2** | A ¼ mile road ($75,000) has three 20-inch culverts ($700 each). Even though the culverts are a separate asset code they are less than $5,000 each or combined, so the culverts and road must be lumped into one asset number. |
| **What you need to do** | If an asset does not have a replacement cost value of at least $5,000 but can be identified with another asset of less than $5,000 replacement cost, then the assets must be lumped into one asset number. In these cases the asset code of the "predominant" (more expensive) asset should be used. |

| | |
|---|---|
| **Example 3** | A septic system ($4,500) surrounded by a fence ($800). A single asset number would be used for these assets, using the asset code for septic system. |
| **What you need to do** | There are certain limitations to lumping assets with replacement cost under $5,000 with capitalized assets. Only those assets that are an integral part of the larger asset and are not severable from the asset should be lumped. |
| **Example 4** | A gravel driveway ($3,500) leading to a visitor center ($142,000) must not be lumped with the asset number for the center because it has its own asset code and is considered severable. If there are no other assets with a replacement cost greater than $5,000 that the driveway can be lumped with, it should be assigned its own asset number as an exception to the threshold policy.<br><br>☞ Note the difference from Example 1 above. The house in Example 1 does not exceed the real property capitalization threshold of $100,000. Therefore, there is no accounting consequence of lumping the shed with the house. In this example (4), lumping the driveway with the visitor center would cause the visitor center to have a recorded cost of $3,500 more than allowed by applicable accounting standards. |

**GUIDANCE and EXAMPLE**
When is it NOT appropriate to lump assets?

If an asset has a replacement cost value of at least $5,000, it must not be lumped with another asset number unless it is a nonseverable component of the other asset. Examples include:

| | |
|---|---|
| **A septic system and a generator** | A stand by generator ($50,000) is attached to an office building ($252,000) is not considered a component of the building. Therefore, both assets must have separate asset numbers in the RPI. |
| **An asphalt parking lot next to an office building** | An asphalt parking lot ($7,500) next to an office building ($252,000) must have its own asset number. Although it is associated with the building, it is not a component of the building. |
| **A two-mile road with eight culverts** | A 2-mile road ($235,000) has 8 culverts of 36-inch each, ($2,800 per culvert.) This scenario creates two assets, one asset code for the road and one asset code for the 8 culverts. |

**GUIDANCE**
Asset splitting at station or program level

For facility management purposes, a station or program may determine if it is best to uniquely identify assets that are currently lumped in the RPI. However, this practice is highly discouraged.

☞ Capitalized assets must never be split if it will result in part or all of the effected assets dropping below the capitalization threshold.

In general:

1. If a record is in the database, leave the record alone.
2. If you complete a replacement project and the item costs more than $5,000 in acquisition cost, then create a new RPI record. The asset has the accounting rules that were in place at the time of acquisition.
3. Talk to your BFO if you are uncertain or need help.

**PROCEDURE**
Asset splitting at program or Region level

Follow the process below when program or Region staff decide to split existing assets in the RPI:

| Step | Action |
|---|---|
| 1 | The program staff downloads the effected assets to ensure all financial data is captured. |
| 2 | The program staff coordinates with the Regional BFO to ensure that overall, the financial information in the RPI is not changed. |
| 3 | The program staff informs the effected stations which asset numbers will be marked for deletion and provides instructions on how to separate (split) the assets. |
| 4 | The program staff provides a crosswalk of the marked for deletion asset number and all asset numbers created to replace it to the Regional BFO. |
| 5 | The Regional BFO enters appropriate data in the finance page of the RPI to ensure that overall, the RPI financial information is not changed. |
| | Complete. |

## 2. Real Property versus Personal Property Guidance

**Introduction**
Real property versus personal property

It is important to distinguish between personal and real property because each of these types of property receives different treatment for accounting purposes. Also, if a property asset is recorded in both the RPI and the Personal Property Management System (PPMS), there is a double-counting of assets.

**POLICY**
Real property versus personal property

Most of the questions requiring a classification decision relate to real property versus personal property. In order to be classified as real property, the asset must be identifiable with an item on the DOI Standard Asset List. See *Appendix I*, 119. Nonseverable real property components include equipment assets that are permanently affixed to a real property asset and cannot be removed without affecting the structural integrity of the asset or are themselves, integral to the functionality of the real property asset. On the other hand, if the equipment can be moved without involving altering construction elements, it is generally classified as personal property.

**EXAMPLE**
Real property versus personal property

| Real Property | Personal Property |
|---|---|
| 1. A central pivot pump which is part of a circular irrigation system can be removed from the ground, but it would render the remainder of the irrigation system useless. Therefore, the entire irrigation system (arms, wheels, supports, etc) would be classified as real property because none of the pieces are functional without the other. | 1. Generators on skids that permit the generator to be moved from place to place, and are used for several activities would be considered personal property. |
| 2. Tanks and pumps that are affixed to a foundation and are permanently attached to pipes would be considered real property because they could not be removed without affecting the functionality of the tanks. | 2. Tanks and pumps that are placed on skids and are not permanently affixed to pipes or lines would be considered personal property. |
| 3. Mobile homes, office trailers and travel trailers used for offices or storage that are moved into place, raised off their wheels, set on foundations, and have permanently connected electrical, sewage, and water lines are considered real property. | 3. Office trailers and travel trailers that are normally pulled by light duty trucks, have their electricity supplied by temporary wiring cords, and have water supplied by hoses are considered personal property regardless of how long they stay in the same location. |

**POLICY**
Real property versus personal property as severable components

Real property assets are generally considered severable assets that can function alone, even if they are in close proximity to other real property assets. For example, a parking lot next to a visitor center is considered separate from the center. Likewise, lighting systems on the grounds of the visitor center or a septic system built for the center should not be included in the cost of the center. As a practical matter, if the asset can be identified by a separate and distinct asset code, it is considered a severable asset.

**GUIDANCE**
Service real property as general PP&E

The following is the guidance relating specifically to real property classified as general PP&E:

| Land and Related Assets | |
|---|---|
| **Land** | Land is defined as the solid part of the earth's surface. It is considered a nonwasting asset and accordingly is not subject to depreciation. The recorded cost of land includes:<br><br>1. The purchase price,<br>2. Fees for examining and recording the title,<br>3. Broker's commission,<br>4. Fees for examining and recording surveying, and<br>5. Any razing and removal costs of structures on the land. |
| **Land Rights** | Land rights are defined as interests and privileges held by Service in land owned by others, such as leaseholds, easements, water rights, diversion rights, and other like interests in land. The costs associated with these rights are recorded as nondepreciable assets if they are for an unlimited duration. Otherwise, they are considered leases amortized over the term of the agreement. |
| **Improvements to Land** | Improvements to land that are of unlimited duration – called permanent land improvements – (e.g., levees/dikes) are recorded as nondepreciable assets. (It is unlikely that the Service has permanent improvements to general PP&E land.) Improvements of limited duration (e.g., sewage lines or sidewalks) should be depreciated over their estimated useful life. |
| **Roads** | Paved roads and gravel roads are capitalized if the general capitalization criteria are met based on cost per mile. If the total cost of a road does not exceed the capitalization threshold, it should not be capitalized, even if the cost per mile exceeds the threshold (e.g., a ¼ mile road segment costing $40,000).<br><br>In certain locations the estimated useful lives of roads are expended to be less than 2 years (e.g., Alaska). In accordance with the general capitalization criteria, these roads would be expensed. |

## B. Force Account Work Tracking

**Introduction**
Force account work tracking

When force account work is performed on real property assets such that the work can result in an entirely new asset, an addition or improvement to existing assets, or a replacement of an existing asset, the cost of the force account work is required to be included in the cost of the asset. The asset will be capitalized if its total cost, including the force account work and any engineering services, exceeds the capitalization threshold. On the other hand, routine repair work through force account does not result in improvement or replacement of an asset. Therefore, routine maintenance work is not capitalized.

**POLICY**
Force account criteria

When force account projects are placed on the Capitalized Project List (CPL), the following criteria are established:

1. Determine whether or not the cost of the force account work together with other applicable costs meet the dollar threshold for acquisitions and improvements.

   ☞ For real property assets placed into service prior to October 1, 2003, the dollar threshold is $50,000 and $50,000 per project for roads. For assets placed into service after October 1, 2003, the dollar threshold is $100,000 or $100,000 per mile for roads.

2. Determine whether the force account work resulted in improvements, additions, or replacement.

**GUIDANCE**
Additions and improvements

Additions and improvements are modifications to existing real property (including renovations) that

- ✓ Extend its useful life by 2 years or more, or
- ✓ Improve its capacity or otherwise upgrade it to serve needs different from or significantly greater than those originally intended.

Additions and improvements to assets other than stewardship assets that meet the general capitalization criteria are capitalized. On the other hand, expenditures relating to a real property asset that do not extend the useful life or increase the capacity of the asset are considered maintenance or repair costs and should not be capitalized, regardless of whether they exceed the capitalization threshold. See *F1. Improvement under Real Property Project Costs*, 41.

**GUIDANCE**
Stewardship or heritage assets

In addition, special criteria apply to assets designated as stewardship or heritage assets constructed through force account work. For more information on Capitalization treatment of those assets, see *Stewardship Assets*, 63.

**GUIDANCE**
Force account costs

For capitalized force account projects, it is essential that a unique cost code is established for each subactivity being used to fund the project. In addition, this project and its associated cost codes can be identified on the Regional CPL list. Capitalized force account costs include direct labor, supplies and materials, commercial equipment rental, and contractual services. The actual cost of engineering services will be included. See *B. FFS Project Numbers and Capitalized Project List (CPL)*, 68.

| | Definition |
|---|---|
| **Labor Costs** | Included in labor costs are all hours directly charged to the project. |
| **Materials and Supplies** | Materials and supplies bought specifically for the project should be included. Other materials and supplies used from existing stock are assumed to be immaterial to the cost of the asset and should not be included in the project cost. |
| **Contract Services** | Costs of service contracts and purchase orders should be included. |
| **Rental Equipment** | Costs of commercial equipment rented specifically for the project should be included. The cost of using service owned equipment on the project is considered to be immaterial to the cost of the asset. |
| **Engineering Services** | The actual cost of Regional office engineering services will be included as a direct charge using the applicable project number assigned. Project numbers for non-MMS funds should be established wherever possible. If non-MMS funds cannot be tracked within FFS, engineering services costs must be tracked outside FFS. For policies and procedures, see *C2. Engineering Costs*, 34. |

**PROCESS**
Documentation required to support force account for projects that meet capitalized threshold

The following documents are required for projects expected to be capitalized:

| | Description |
|---|---|
| **FFS Summary Project Report (FWS61001)** | FWS61001 provides labor and nonlabor disbursements, and outstanding obligations (UDO's) for projects, broken down by object class. Details for individual pay period labor and nonlabor transactions are provided via FFS report FWS 31801. When the asset is put into service, the field station will provide copies of the most recent project report FWS 61001 and monthly transactions reports FWS 31801. In addition, field stations will be providing additional supporting documentation for each major procurement action (see below). For multiple-funded projects, the project reports will be added together manually by the Regional BFO. |
| **Materials and Supplies** | Materials and building supplies purchased specifically for a project the originating purchase order and invoice along with the asset code and project number should be provided to the Regional BFO. |
| **Contract Services** | If contract services are used for multiple force account projects, the originating contract or purchase order and invoice annotated with the actual or estimated amount used on each asset code and/or project number should be provided to the Regional BFO. |
| **SAMMS Reports** | For stations that fully implement SAMMS, SAMMS reports are sufficient documentation for documenting acquisition cost. |

**PROCESS**
Documentation required to support force account for projects under capitalized threshold

For projects that are expected to be below the capitalization threshold, field stations should provide annotated *Office Transaction Reports (OTRs)* and materials invoices to the BFO in order to establish acquisition costs from which replacement estimates can be derived. This documentation will also document the fact that the project is under the capitalization threshold.

## C. Disposals and Retirements

**Introduction**
Disposals and retirements

In accordance with the *Federal Management Regulation, 41 CFR 102-84*, the Service must inventory real property assets on an annual basis. The Department of the Interior States that real property inventories may be completed on a staggered basis as long as a 100% physical inventory is completed every 5 years. The data reported in the Annual Real Property Inventory should be obtained from the real property and accounting records maintained by the Service. The accounting records must be the same accounting records used to support the Service's Financial Statement. The Annual Real Property Inventory must be prepared as of the last day of each fiscal year and must be submitted to the General Services Administration no later than November 15 of each year.

**POLICY**
Disposals

One of the real property types designated on the Annual Real Property Inventory that must be reported is excess and surplus real property. The responsible project leader will use excess or vacant fields to identify disposals. The Service must dispose of surplus real property in the most economical manner, which is consistent with the best interest of the Government. Prior to the disposition, a determination must be received from the General Services Administration (GSA) that there is no longer a Federal need or requirement for the excess real property. The *Certificate of Unserviceable Property, DI 103a*, is used to document this determination. After this determination is made, the Service may make the real property available for acquisition by State and local governments and nonprofit institutions, sale by public advertising, negotiated sale, or other disposal method.

Except for disposals specifically authorized by special legislation, disposals of real property must be made only under the authority of the *Federal Property and Administrative Services Act of 1949*. The administrator of General Services can evaluate, on a case-by-case basis, the disposal provisions of any other law to determine consistency with the authority conveyed by the Act.

**GUIDANCE**
Disposals

Based on a highest and best use analysis, the Service may make surplus real property available to State and local governments and certain nonprofit institutions at up to a 100% public benefit discount. Examples of public benefit purpose are: education, parks and recreation, historic monuments and wildlife conservation. The implementing regulations for these conveyances are found in *41 CFR 102-75*.

For real property which has no commercial value or for which the estimated cost of continued care exceeds the estimated proceeds, the Service may abandon, destroy or donate Service owned improvements on real property. The Certificate of Unserviceable Property, DI 103a, must be completed and properly processed. A Service official who is not directly accountable for the property can make a determination. The Service must not abandon or destroy improvements until after it has given public notice of the action.

After the appropriate disposal action has been concluded, the property should be removed from the RPI by the BFO. The date of the disposal action must be included on the record as well as a description of the disposal.

☞ If any Service funds were used to accomplish the disposition, this should also be noted on the record.

**POLICY**
Retirements

The retirement of real property is defined as real property which is no longer being used for operations but a determination has been made that a disposal action is not currently appropriate. The real property will be identified by the project leader during the Annual Real Property Inventory.

**PROCESS**
Retirements

The project leader will prepare an approval memorandum which will be forwarded through the assistant Regional director to the BFO. After approval for the retirement is received, the property or facility which will be placed in retirement will be identified in the RPI. The BFO will modify the RPI and notify DFM that appropriate action is required to record the retirement in accounting records. An asset should only be retired if there are no plans for its use in the future. If funds are received in the future for rehabilitation, reconditioning, conversion, completion, additions and/or replacement of the asset, then the retirement designation will be removed from the RPI record. The BFO will notify DFM of the change. If funding is under the capitalization threshold, the project will be expensed. However, if the project is over the capitalization threshold, it will be added to the CWIP list. This will alert the Regional office (RO) to reinState the property on the financial Statement.

☞ The retirement classification should not be used for stewardship assets and very rarely used for gravel roads.

# D. Newly Discovered Assets

**Introduction**
Newly discovered assets

All real property assets, other than stewardship assets, that are still in use by the Service and otherwise meet our real property financial reporting criteria must be reported. This includes assets that are beyond their estimated useful lives.

**POLICY**
Newly discovered assets

In order for the Service's financial reports to accurately reflect our investment in real property, all real property assets that meet the financial reporting criteria need to be identified and reported. If these assets are not included in our financial records, our financial Statements will underState the amount of real property assets owned by the Service. Accordingly, assets discovered during condition assessments and physical inventories that meet these criteria must be incorporated into our financial records.

☞ When updating the financial records of the RPI, the Acquisition Cost field requires careful attention. This field affects the depreciation of property and is an auditable transaction. If an asset is not capitalized because it meets stewardship or other exclusive criteria, the field should be left blank and the exclusion justification provided. See *Section B. Capitalized Exclusion Definitions*, 29.

**GUIDANCE**
Newly discovered assets

Follow the process below for newly discovered assets that were placed into service before October 1, 2003:

| If | Then |
|---|---|
| The asset's replacement cost value is $5,000 or more, | It should receive a unique asset number. The Regional BFO will enter the financial data in the RPI, ensuring the original acquisition cost and original acquisition date are entered, and not the date and cost of the asset when it was discovered. See *Instructions for RPI New Assets*, 43. |
| The asset's replacement cost value is less than $5,000, | It must be combined with like assets or an asset number in which it is attached or identified with. However, the restrictions concerning combinations with capitalized assets apply. See *A. Asset Grouping Policies*, 82. |

**GUIDANCE**
How a newly discovered asset is qualified as a stewardship asset

In order to determine whether a newly discovered asset qualifies as a stewardship asset, it should be evaluated against the criteria for stewardship assets:

| | |
|---|---|
| **Criteria 1** Determine if the asset is a stewardship asset | Is it a permanent improvement to stewardship land as indicated by its asset type code?<br><br>See *Stewardship Assets*, 63, for a complete list of stewardship asset type codes. |
| **Criteria 2** Determine if the asset is excludable from capitalization | 1. Was acquired incidental to a stewardship land acquisition, and<br>2. Can be established that one or more of the criteria for identifying the asset as a stewardship asset acquired as part of a land acquisition apply, i.e.?<br><br>• It is a road or bridge.<br>• It was not separately listed on the land acquisition agreement.<br>• It had a fair market value at the time of acquisition of <15% of the value of the acquired land. |

| | |
|---|---|
| **Criteria 3**<br>Determine if the asset is a heritage asset. | Service stewardship assets include heritage assets. Heritage assets are PP&E that are unique because of their historical or natural significance, cultural, educational or artistic importance, or significant architectural characteristics.<br><br>☞ If any of the conditions supporting classification of the assets as a stewardship asset, it is not subject to financial reporting. |

**PROCESS**
Required information for newly discovered assets

In general, the following types of information are required in order to determine the appropriate accounting treatment of a newly discovered asset:

- Construction Year
- Acquisition Cost
- Acquisition Date
- Acquisition Type
- Asset Type

Those who initially identify previously recorded assets should also determine if the asset has been included with another asset reported in the RPI:

- The asset should be reviewed with the field station manager to determine the manager's knowledge of the asset and whether it is included with another asset;
- Documentation of assets of similar asset types listing in the RPI should be reviewed to determine if the asset is included; and
- Documentation of assets of similar age should be reviewed to determine if the asset is included.

**PROCEDURE**
What to do when the **Acquisition Cost** of a newly discovered asset is missing or undocumented

If a search of existing records does not produce adequate documentation to support the acquisition cost of the asset, then a determination must be made as to whether the acquisition cost should be estimated, and if so, how the estimate should be accomplished. Due to the difficulties of obtaining information on the age and acquisition cost of older assets still in use by the Service, thresholds have been established to allow newly discovered assets considered immaterial to be exempt from financial reporting. Review the following conditions (A-D) to estimate the acquisition cost:

| | |
|---|---|
| **CONDITION A**<br>Is there a documented acquisition cost for a similar asset? | For example, research relating to a newly discovered asset leads to discovery of acquisition documentation for a similar asset of that period. The cost of the similar asset can be used to estimate the cost of the asset. Alternatively, a similar asset can be discounted to the acquisition year using the appropriate ENR indices. A final option is to use the *FWS Acquisition and Replacement Cost Estimate Worksheet,* 140, which is based on the RS Means date discounted to the year the asset was acquired. |
| **CONDITION B**<br>Is the asset older than the expected useful life for that type of asset? | An asset's age and asset classification will determine whether the asset has passed its estimated useful life and assumed to be fully depreciated. An asset that has been fully depreciated will have a Net Book Value (NBV) of $0 regardless of its acquisition cost. However, since financial Statement footnote disclosures contain a comparison of total current book value to total acquisition cost, the acquisition cost is potentially meaningful for a fully depreciated asset.<br><br>Significant assets deemed to be fully depreciated based on the asset's age may still be material to the financial Statement footnote disclosures of the Service. The Service has established a single asset materiality threshold of $1,000,000 replacement cost for fully depreciated assets.<br><br>Documentation should be maintained to ensure the asset's replacement cost is accurate to the extent that it can be determined to be below the materiality threshold. This ascertainment may be made by an FMC, REN, or other person designated by the BFO as having professional credentials to make this determination. |

| | |
|---|---|
| | Example: Based upon my professional experience, this is to certify that the recorded replacement cost for Asset Number XXXX is accurate to the extent as to determine if it is less than $1,000,000, which is the materiality threshold for fully depreciated assets.<br><br>Cost estimates should be prepared for newly discovered assets that exceed this threshold by utilizing the *FWS Acquisition and Replacement Cost Estimate Worksheet* or a third party specialist and having the value discounted back to the year of acquisition.<br><br>Fully depreciated assets with replacement cost below this threshold are considered immaterial to the footnote disclosures of the financial Statements and not required a cost estimate. |
| **CONDITION C**<br>Does the asset have less than ½ (one-half) of its useful life remaining? | For assets with less than ½ of their useful life remaining, the Service has established a <u>materiality threshold of $500,000 replacement cost</u>. Documentation should be maintained to ensure the asset's replacement cost is accurate to the extent that it can be determined to be below the materiality threshold. This ascertainment may be made by an FMC, REN, or other person designated by the BFO as having professional credentials to make this determination.<br><br>For newly discovered assets in this category, cost estimate should be prepared by utilizing the FWS Acquisition and Replacement Cost Estimate Worksheet or a third party specialist, and having the value discounted back to the year of acquisition.<br><br>Assets with less than ½ of their useful life remaining and a replacement cost below the established threshold would be considered immaterial to the footnote disclosures of the financial Statements, and are not required a cost estimate. |
| **CONDITION D**<br>Does the asset have more than ½ (one-half) of its useful life remaining? | If the asset is readily identified as having a current replacement cost below the Service's capitalization <u>threshold of $50,000,</u> in effect for assets acquired prior to October 1, 2003.<br><br>Documentation should be maintained to ensure the asset's replacement cost is accurate to the extent that it can be determined to be below the materiality threshold. This ascertainment may be made by an FMC, REN, or other person designated by the BFO as having professional credentials to make this determination.<br><br>Assets with more than ½ of their useful life remaining, with replacement cost estimated at $50,000 or above, should have an estimate of acquisition cost prepared by the REO. The current value should be calculated by utilizing the FWS Acquisition and Replacement Cost Estimate Worksheet and having the value discounted back to the year of acquisition.<br><br>☞ Documentation supporting the acquisition cost of a newly discovered asset will also provide a method of acquisition. |

**PROCEDURE**
What to do when the **<u>Acquisition Date</u>** of a newly discovered asset is missing or undocumented

For assets constructed, purchased or acquired via donation or transfer during FY 1998 or later, it is assumed that adequate documentation of the asset's acquisition date is available in service records. If documentation for an asset acquired prior to FY1998 does not exist, an estimate of the year the asset was acquired may be developed. The estimate can take the form of:

- A certification from a field station manager or other site staff who have direct knowledge of the acquisition year,
- An engineer's professional estimate and certification of the age of the asset, or
- A third party engineering firm's professional estimate and certification of the age of the asset.

Newly discovered assets that only have estimates of their acquisition year are assumed to be placed in service on April 1 (the fiscal year midpoint) of that year.

Although acquisition year documentation should be present for all assets, it is impractical to develop estimates for all assets. The degree of confidence required for acquisition year estimates decreases as the asset reaches and passes its useful life. An asset that is readily recognized as more than 50% beyond its estimated useful life (e.g. an asset with a 10-year depreciable life is readily recognized as at least 15 years old) requires no estimate of acquisition year. For these assets, an attestation by a knowledgeable official as to the asset's approximate age will suffice.

**PROCEDURE**
What to do when the **Acquisition Type** of a newly discovered asset is missing or undocumented

If documentation to support the acquisition type does not exist, certification from a field station manager or other site staff who have direct knowledge of the acquisition will suffice.